May 10, 2018

Consolidated Financial Statements

Ended March 31, 2018

INNOTECH CORPORATION

Stock Listed: Tokyo Stock Exchange Section 1

Code No.: 9880

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U.S. Accounting Principle: Not adopted

(Amounts below one million are rounded down)

1. Consolidated Financial Highlights for FY 2017 (April 1, 2017 to March 31, 2018)

(1) Consolidated Operating Results (% represents the change from the same period in the previous fiscal year)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	million yen	%	million yen	%	million yen	%	million yen	%
FY2017	28,735	△ 0.4	1,244	24.5	1,208	△ 3.4	721	△ 10.6
FY2016	28,863	△ 7.6	999	△ 1.2	1,251	7.7	806	9.0

[Note] Comprehensive income FY2017: 899 million yen (8.6%) FY2016: 828 million yen (72.7%)

	EPS	EPS, Diluted	ROE	ROA	Operating income to net sales
	yen sen	yen sen	%	%	%
FY2017	41.02	39.38	3.0	3.8	4.3
FY2016	45.93	44.30	3.4	4.2	3.5

[Reference] Equity in earnings (losses) of affiliated companies FY2017: 6 million yen FY2016: 2 million yen

(2) Consolidated Financial Position

	Total assets	Total net assets	Shareholders' equity ratio	BPS
	million yen	million yen	%	yen sen
FY2017	32,562	25,068	74.3	1,396.49
FY2016	30,277	24,620	79.3	1,366.84

[Reference] Net worth FY2017: 24,201 million yen FY2016: 24,016 million yen

(3) Consolidated Cash Flows

	CF from operating activities	CF from investing activities	CF from financial activities	Cash and cash equivalents at the end of the period
	million yen	million yen	million yen	million yen
FY2017	2,013	△ 891	△ 533	5,453
FY2016	2,487	△ 834	△ 289	4,844

2. Dividend Payment Results and Outlook

	Annual dividend per share Total					Total amount of dividends paid/payable (full-year)	Dividend payout ratio (consolidated)	Rate of dividend to net assets (consolidated)
	As of Q1-end	As of Q2-end	As of Q3-end	As of Fiscal Year-end	Full Year			
	yen sen	yen sen	yen sen	yen sen	yen sen	million yen	%	%
FY2016	–	7.00	–	8.00	15.00	263	32.7	1.1
FY2017	–	10.00	–	20.00	30.00	522	73.1	2.2
FY2018 (outlook)	–	20.00	–	20.00	40.00		55.5	

3. Consolidated Business Outlook for FY2018 (April 1, 2018 to March 31, 2019)

(% represents the change from the same period in the previous fiscal year)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		EPS
	million yen	%	million yen	%	million yen	%	million yen	%	yen sen
FY2018	30,000	4.4	1,900	52.6	2,000	65.5	1,250	73.4	72.13

Notes to Consolidated Financial Statements

(1) Change in significant subsidiaries during FY2017 : None
Newly — (Name of Company) — Exception — (Name of Company) —

(2) Changes in accounting procedures:
① Related to accounting standard revisions etc. : None
② Other changes : None
③ Changes in accounting estimates : None
④ Modified restatements : None

(3) Number of shares outstanding (common stock)
① Total outstanding shares including treasury shares as of:
As of March 31, 2018: 18,218,901 shares As of March 31, 2017: 18,218,901 shares
② Outstanding treasury shares as of:
As of March 31, 2018: 888,418 shares As of March 31, 2017: 648,177 shares
③ Average outstanding shares for the quarter ended:
Year ended March 31, 2018: 17,579,071 shares Year ended March 31, 2017: 17,565,673 shares

(Reference) Summary of Non-consolidated Financial Results

Non-Consolidated Financial Highlights for FY2017 (April 1, 2017 to March 31, 2018)

(1) Non-Consolidated Operating Results (% represents the change from the same period in the previous fiscal year)

	Net sales		Operating profit		Ordinary profit		Profit	
	million yen	%	million yen	%	million yen	%	million yen	%
FY2017	15,373	△ 9.8	15	△ 90.5	184	△ 53.4	108	△ 54.5
FY2016	17,049	△ 16.6	163	△ 59.5	395	△ 25.7	238	△ 24.5

	EPS	EPS, Diluted
	yen sen	yen sen
FY2017	6.17	5.93
FY2016	13.59	13.11

(2) Non-Consolidated Financial Position

	Total assets	Total net assets	Shareholders' equity ratio	BPS
	million yen	million yen	%	yen sen
FY2017	25,326	21,479	83.7	1,222.65
FY2016	24,427	21,936	88.6	1,231.04

[Reference] Net worth FY2017: 21,189 million yen FY2016: 21,630 million yen

[Note] Information about audit procedure execution:
This earnings release report is not subject to audit procedures based on the Financial Instruments and Exchange Act. At the time of disclosure of this report, the audit procedures for the financial statements are in progress.

[Note] Request for appropriate use of the business outlook and other special remarks:
The information provided in this documentation includes forward looking statements based on current expectations, forecasts or beliefs. Such forward looking statements include a number of preliminary assumptions about future events that are subject to factors and uncertainties that could cause actual results to differ materially from those described in the forward looking statements.

Consolidated Balance Sheets

（Unit: thousand yen）

	As of March 31, 2017	As of March 31, 2018
Assets		
Current assets		
Cash and deposits	5,154,047	5,763,265
Notes and accounts receivable - trade	6,628,431	7,119,991
Merchandise and finished goods	2,049,411	2,524,642
Advance payments - trade	1,417,128	1,660,711
Deferred tax assets	240,843	149,294
Other	671,040	745,808
Allowance for doubtful accounts	△636	－
Total current assets	16,160,265	17,963,713
Non-current assets		
Property, plant and equipment		
Buildings and structures	7,912,088	8,109,712
Accumulated depreciation	△4,217,002	△4,368,868
Buildings and structures, net	3,695,086	3,740,843
Machinery, equipment and vehicles	812,970	989,509
Accumulated depreciation	△485,621	△556,997
Machinery, equipment and vehicles, net	327,348	432,512
Land	5,721,345	5,721,345
Other	964,845	1,029,178
Accumulated depreciation	△627,828	△688,340
Other, net	337,016	340,838
Total property, plant and equipment	10,080,796	10,235,540
Intangible assets		
Goodwill	1,197,677	983,726
Other	353,193	504,807
Total intangible assets	1,550,871	1,488,533
Investments and other assets		
Investment securities	1,179,401	1,383,833
Deferred tax assets	57,132	65,372
Net defined benefit asset	265,668	308,287
Other	983,045	1,117,099
Allowance for doubtful accounts	△2	－
Total investments and other assets	2,485,246	2,874,593
Total non-current assets	14,116,914	14,598,667
Total assets	30,277,180	32,562,381
Liabilities		
Current liabilities		
Notes and accounts payable - trade	1,526,351	2,024,690
Income taxes payable	281,461	348,177
Advances received	1,899,293	3,063,679
Provision for bonuses	166,469	226,841
Other	1,204,111	1,199,290
Total current liabilities	5,077,687	6,862,680
Non-current liabilities		
Provision for directors' retirement benefits	89,969	102,863
Net defined benefit liability	189,170	196,253
Other	299,926	331,652
Total non-current liabilities	579,066	630,768
Total liabilities	5,656,754	7,493,449
Net assets		
Shareholders' equity		
Capital stock	10,517,159	10,517,159
Capital surplus	7,301,303	7,328,535
Retained earnings	6,379,702	6,784,175
Treasury shares	△256,447	△627,879
Total shareholders' equity	23,941,719	24,001,991
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	70,898	82,746
Deferred gains or losses on hedges	△59,070	41,071
Foreign currency translation adjustment	49,750	69,552
Remeasurements of defined benefit plans	12,986	6,528
Total accumulated other comprehensive income	74,566	199,900
Subscription rights to shares	305,838	290,679
Non-controlling interests	298,301	576,361
Total net assets	24,620,426	25,068,932
Total liabilities and net assets	30,277,180	32,562,381

Consolidated Statements of Income

（Unit: thousand yen）

	FY2016 (From April 1, 2016 to March 31, 2017)	FY2017 (From April 1, 2017 to March 31, 2018)
Net sales	28,863,452	28,735,690
Cost of sales	20,786,545	20,345,678
Gross profit	8,076,906	8,390,011
Selling, general and administrative expenses	7,077,281	7,145,027
Operating profit	999,625	1,244,983
Non-operating income		
Real estate rent	448,525	436,681
Foreign exchange gains	60,965	－
Other	81,965	90,533
Total non-operating income	591,455	527,214
Non-operating expenses		
Rent expenses on real estates	316,108	306,957
Loss on investments in partnership	9,225	118,649
Foreign exchange losses	－	110,071
Other	14,271	27,764
Total non-operating expenses	339,604	563,444
Ordinary profit	1,251,475	1,208,754
Extraordinary income		
Gain on sales of non-current assets	4,365	－
Gain on sales of investment securities	1,856	－
Gain on reversal of subscription rights to shares	－	698
Total extraordinary income	6,221	698
Extraordinary losses		
Loss on valuation of investment securities	25,991	－
Loss on sales of investment securities	4,102	－
Total extraordinary losses	30,093	－
Profit before income taxes	1,227,603	1,209,453
Income taxes - current	396,329	373,448
Income taxes - deferred	1,374	71,535
Total Income taxes	397,704	444,983
Profit	829,899	764,469
Profit attributable to non-controlling interests	23,135	43,418
Profit attributable to owners of parent	806,763	721,051

Consolidated Statements of Comprehensive Income

（Unit: thousand yen）

	FY2016 (From April 1, 2016 to March 31, 2017)	FY2017 (From April 1, 2017 to March 31, 2018)
Profit	829,899	764,469
Other comprehensive income		
Valuation difference on available-for-sale securities	27,870	11,847
Deferred gains or losses on hedges	△62,189	100,141
Foreign currency translation adjustment	35,494	29,753
Remeasurements of defined benefit plans, net of tax	△2,218	△6,458
Total other comprehensive income	△1,042	135,284
Comprehensive income	828,856	899,754
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	809,242	846,384
Comprehensive income attributable to non-controlling interests	19,614	53,369

Consolidated statement of changes in equity

FY2016 (From April 1, 2016 to March 31, 2017) （Unit: thousand yen）

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at the beginning of current period	10,517,159	7,324,064	5,818,853	△ 258,574	23,401,503
Changes of items during period					
Dividends of surplus			△ 245,914		△ 245,914
Profit attributable to owners of parent			806,763		806,763
Purchase of treasury shares				△ 9	△ 9
Disposal of treasury shares		2,232		2,136	4,368
Purchase of shares of consolidated subsidiaries		△ 24,992			△ 24,992
Net changes of items other than shareholders' equity					
Total changes of items during period	–	△ 22,760	560,849	2,127	540,215
Balance at the end of current period	10,517,159	7,301,303	6,379,702	△ 256,447	23,941,719

	Accumulated other comprehensive income					Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at the beginning of current period	43,028	3,119	10,734	15,205	72,087	268,839	285,542	24,027,974
Changes of items during period								
Dividends of surplus								△ 245,914
Profit attributable to owners of parent								806,763
Purchase of treasury shares								△ 9
Disposal of treasury shares								4,368
Purchase of shares of consolidated subsidiaries								△ 24,992
Net changes of items other than shareholders' equity	27,870	△ 62,189	39,015	△ 2,218	2,478	36,998	12,759	52,236
Total changes of items during period	27,870	△ 62,189	39,015	△ 2,218	2,478	36,998	12,759	592,451
Balance at the end of current period	70,898	△ 59,070	49,750	12,986	74,566	305,838	298,301	24,620,426

FY2017 (From April 1, 2017 to March 31, 2018)　　（Unit: thousand yen）

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at the beginning of current period	10,517,159	7,301,303	6,379,702	△ 256,447	23,941,719
Changes of items during period					
Dividends of surplus			△ 316,578		△ 316,578
Profit attributable to owners of parent			721,051		721,051
Purchase of treasury shares				△ 402,733	△ 402,733
Disposal of treasury shares		27,438		31,301	58,740
Purchase of shares of consolidated subsidiaries		△ 206			△ 206
Net changes of items other than shareholders' equity					
Total changes of items during period	–	27,232	404,472	△ 371,432	60,271
Balance at the end of current period	10,517,159	7,328,535	6,784,175	△ 627,879	24,001,991

	Accumulated other comprehensive income					Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at the beginning of current period	70,898	△ 59,070	49,750	12,986	74,566	305,838	298,301	24,620,426
Changes of items during period								
Dividends of surplus								△ 316,578
Profit attributable to owners of parent								721,051
Purchase of treasury shares								△ 402,733
Disposal of treasury shares								58,740
Purchase of shares of consolidated subsidiaries								△ 206
Net changes of items other than shareholders' equity	11,847	100,141	19,801	△ 6,458	125,333	△ 15,158	278,059	388,234
Total changes of items during period	11,847	100,141	19,801	△ 6,458	125,333	△ 15,158	278,059	448,506
Balance at the end of current period	82,746	41,071	69,552	6,528	199,900	290,679	576,361	25,068,932

Consolidated statement of cash flows

（Unit: thousand yen）

	FY2016 (From April 1, 2016 to March 31, 2017)	FY2017 (From April 1, 2017 to March 31, 2018)
Cash flows from operating activities		
Profit before income taxes	1,227,603	1,209,453
Depreciation	546,801	600,279
Amortization of goodwill	220,243	236,587
Increase (decrease) in allowance for doubtful accounts	△18,814	△638
Increase (decrease) in provision for bonuses	23,015	56,245
Increase (decrease) in net defined benefit liability	△21,685	△47,142
Interest and dividend income	△9,162	△9,695
Loss (gain) on valuation of investment securities	25,991	－
Loss (gain) on investments in partnership	9,225	108,609
Decrease (increase) in notes and accounts receivable-trade	920,642	△1,021,522
Decrease (increase) in inventories and advance payments	267,633	△664,505
Increase (decrease) in notes and accounts payable-trade	275,704	475,433
Increase (decrease) in advances received	△418,889	1,144,185
Other, net	△6,778	208,467
Subtotal	3,041,531	2,295,755
Interest and dividend income received	9,578	9,490
Interest expenses paid	△542	△2,669
Income taxes paid	△567,207	△308,736
Income taxes refund	4,391	19,372
Net cash provided by (used in) operating activities	2,487,751	2,013,214
Cash flows from investing activities		
Payments into time deposits	△203,681	△300,000
Proceeds from withdrawal of time deposits	304,900	300,000
Purchase of property, plant and equipment	△237,686	△677,699
Purchase of intangible assets	△172,461	△304,894
Purchase of long-term prepaid expenses	△97,782	△139,529
Purchase of investment securities	△233,050	△313,195
Proceeds from sales of investment securities	15,464	－
Proceeds from distribution of investment in partnerships	6,041	39,114
Proceeds from transfer of business	－	564,858
Purchase of insurance funds	△97,375	△101,303
Proceeds from cancellation of insurance funds	21,374	22,181
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	－	67,245
Purchase of shares of subsidiaries resulting in change in scope of consolidation	△78,449	－
Other, net	△61,637	△48,192
Net cash provided by (used in) investing activities	△834,343	△891,414
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	△9,000	△50,578
Repayments of long-term loans payable	－	△23,015
Purchase of treasury shares	△9	△404,747
Cash dividends paid	△244,946	△315,229
Proceeds from share issuance to non-controlling shareholders	－	228,104
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	△34,353	△489
Other, net	△1,556	32,054
Net cash provided by (used in) financing activities	△289,866	△533,901
Effect of exchange rate change on cash and cash equivalents	△31,025	20,768
Net increase (decrease) in cash and cash equivalents	1,332,516	608,666
Cash and cash equivalents at beginning of period	3,512,003	4,844,519
Cash and cash equivalents at end of period	4,844,519	5,453,186